



Minnesota Gambling Control Board

GAMING NEWS

APRIL/MAY/JUNE 2012

Gambling Control Board

William Goede, Chair
(Plainview)
Committee: Executive

Norm Pint, Vice-Chair
(New Prague)
Committees: Executive;
CRG (chair)

William Gillespie,
Secretary (St. Paul)
Committees: Executive;
Legislative (chair); CRG

Robert Hyde (Plymouth)
Committees: Rules (chair)

Geno Fragnito
(Woodbury)
Committees: Rules,
Legislative

Susan McCarville
(Hopkins)
Committees: Rules; CRG

Gary Sigfrinius
(Forest Lake)
Committees: Legislative

Monthly board meetings are open to the public and held at:

Gambling Control Board
Suite 300 South
1711 West County Road B
Roseville, Minnesota.

Monday, June 18, 2012
Monday, July 16, 2012
Monday, August 20, 2012
Tuesday, September 28, 2012
Tuesday, October 15, 2012
Friday, November 16, 2012
in conjunction with ACM
convention in Duluth
Monday, December 17, 2012

The agenda is posted at:
www.gcb.state.mn.us

DIRECTOR'S COLUMN **Tom Barrett, Executive Director**

Electronic Pull-tabs; Electronic Linked Bingo; Viking Stadium Funding, Taxes, etc...

By now I'm guessing you've heard that legislation was passed authorizing the Viking stadium construction with funding from the state through tax receipts from electronic pull-tabs and electronic bingo games. Lawful gambling tax rates were also reduced and reformed.

There are significant changes in the statutes pertaining to definitions, new electronic games and game systems, lease changes, prizes for linked electronic bingo games, revocation and suspension limitations pertaining to licenses, and so on. There will be a learning curve but as everyone becomes familiar and experienced with the changes and operation of the games, the Board will take that opportunity to see what issues, if any, might need clarification through rules or further statutory changes.

The Board and its staff will be working with manufacturers, distributors, linked bingo game providers, and organizations to address the many questions that can be expected with these changes.

A 2012 **legislative summary** is available online at www.gcb.state.mn.us. We are also working on a **Legislative Update class** that will be offered later this summer and early fall.

In the meantime, watch our website at www.gcb.state.mn.us for updates and new forms. Be sure to sign up for our Twitter updates too!

Electronic Reporting Required

Effective **July 1, 2012**, licensed organizations are required by statute to submit monthly reports electronically to the Gambling Control Board.

Board staff has put the final touches on a very simplified program that will enable licensed organizations to electronically complete and email their monthly reports to the Board!

The date for implementation of this FREE program will be July 2012 for reports due in August. Classes have been scheduled for June and July 2012 on this new program. Check the schedule on page 2.

Gross Receipts on the Rise!

Check out the Trends column on page 8. December 2011 and January - March 2012 have shown phenomenal increases from the same months in the previous year. December had an increase of 15%, January was 7.5%, February was 12.5%, and March was 4.0%. It appears that the industry is on the rebound.

Got questions about the new games? We have some answers!

Check out our "FAQ" on pages 6 and 7.

CONTINUING EDUCATION CLASSES

- Preregistration is not required for continuing education classes.
- Classes are FREE and open to the public.
- Gambling managers must attend at least one class EACH CALENDAR YEAR.
- Check our website at www.gcb.state.mn.us for updates and changes.

Legislation goes into effect on July 1, 2012 requiring all licensed organizations to submit reports electronically to the Gambling Control Board. The Financial Reporting class will cover information that is required to be submitted electronically.

June 6, 2012 - 3 classes 10 a.m. 2 p.m. 7 p.m.	Gambling Control Board Suite 300 South 1711 West County Road B Roseville	Financial Reporting
June 14, 2012 7 p.m.	C'Mon Inn 1586 Highway 59 South Thief River Falls	Financial Reporting
June 19, 2012 7 p.m.	Forestry Service Center Stine Room 175 University Road Cloquet	Financial Reporting
June 20, 2012 7 pm	Lyon County Government Center Commissioner Rooms 1 and 2 607 Main Street Marshall	Financial Reporting
June 20, 2012 7 pm	BestWestern Kelly Inn Rom University A 100 4th Avenue South St. Cloud	Financial Reporting
June 21, 2012 7 pm	Plaza Hotel and Suites Rosewood II Room 1025 Highway 61 East Winona	Financial Reporting
July 10, 2012 2 p.m.	Hibbing Memorial Building, Dining Room 400 East 23rd Street Hibbing	Financial Reporting
July 10, 2012 2 p.m.	Gambling Control Board Suite 300 South 1711 West County Road B Roseville	Financial Reporting
July 11, 2012 2 p.m.	AmericInn Lodge and Suites Fergus Falls Room 526 Western Avenue Fergus Falls	Financial Reporting
July 12, 2012 7 p.m.	South Central College, Conference Center A 1920 Lee Boulevard North Mankato	Financial Reporting
July 12, 2012 2 p.m.	BestWestern Kelly Inn University A Room 100 4th Avenue South Saint Cloud	Financial Reporting

***For changes and updates,
go to www.gcb.state.mn.us and click on Classes.***

QUICK UPDATES

Financial Reporting Class Information

The Financial Reporting classes being offered in June and July will focus on the board's new electronic filing system being implemented for your July 2012 reports that are due August 20, 2012.

An electronic Excel file containing a blank G1 Lawful Gambling Monthly Tax Return and all accompanying schedules, except the Schedule B2, will be available on the Gambling Control Board's website at www.gcb.state.mn.us.

- Organizations will complete the forms on their computers and email the completed file to the Gambling Control Board.
- Organizations must also print out the forms and mail a paper copy to the Department of Revenue as is currently required.

Organizations that use a lawful gambling software vendor will see very few changes as the board's requirements will be built into their systems. In most cases, the software will produce the electronic data in a board-approved format, and the organization will simply attach that data to an email sent to the Board.

The focus of the class will be on organizations that do not use a lawful gambling software vendor. The online form and instructions will be available online in early August.

Organization Annual Report Due September 1

This year, form LG1014 must be submitted to the Gambling Control Board by September 1, 2012.

This is a change from the September 30 due date in previous years. Even with the shortened time schedule, organizations still have forty days between the July 20 deadline for completion of June's tax forms and the September 1 Organization Annual Report deadline.

Your report is used by the Board to monitor compliance with the minimum lawful purpose requirement and the 5% cap on "A22" expenditures. A summary report is issued to the Governor and Legislature, and will be published on our website.

The 2012 form has some formatting changes because of changes that were made to the G1 Lawful Gambling Monthly Tax Return in January.

The form and instructions are available at www.gcb.state.mn.us. To access the form and instructions on our website, look under the "Quick Links" heading and click on "Forms for Licensed Organizations". Then click on "For all forms sorted by form number". LG1014 will be towards the end of the list of numbered forms.

Two versions of the form are available. One is the manual version to use if you will be completing the form by hand. The other is an Excel spreadsheet version with built-in formulas that automatically calculate the totals and percentages.

With the implementation of electronic filing, 2012 will be the last year that organizations are required to complete form LG1014.

If you have any questions, contact your compliance specialist at the Gambling Control Board.

The Compliance Review Group (CRG), a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

CRG REPORT

LICENSEES	CONSENT ORDER ALLEGATIONS	CONSENT ORDER REQUIREMENTS
American Legion Post 56, Albert Lea, License 00213	<ul style="list-style-type: none"> • Made unallowable expense expenditures. • Failed to maintain adequate bingo records. • Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. 	<ul style="list-style-type: none"> • \$1,000 fine. • Focused compliance review
American Legion Post 2, Shakopee, License 00466	<ul style="list-style-type: none"> • Conducted lawful gambling without supervision of a licensed gambling manager. • Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. • Failed to maintain correct and complete accounting records. • Filed false and inaccurate information with Revenue. • Failed to submit licensing information timely to the Board. • Failed to correct a violation for which a citation was previously imposed. 	<ul style="list-style-type: none"> • 6 months license suspension. • Corrective action plan • Focused compliance review
Clearwater Lions Club, License 02167	<ul style="list-style-type: none"> • Failed to maintain deposit records. • Failed to maintain sufficient internal controls to protect the integrity of its lawful gambling. • Failed to maintain sufficient records to document qualifying lawful purpose expenditures. • Failed to maintain a complete and accurate record of its lawful gambling activities. • Failed to accurately complete Schedule F forms. • Allowed its gambling employees to participate as players at the leased premises, Flinstone's. • Failed to comply with the Board's request, in a timely manner. • Conducted lawful gambling without sufficient supervision of a licensed gambling manager 	<ul style="list-style-type: none"> • 6 months license suspension. • Resolve all issues in the compliance review report and post compliance review.
Hopkins Raspberry Association, License 02297	<ul style="list-style-type: none"> • Failed to make deposits within four business days • Failed to file required annual audits for fiscal years ending 2008-2010. 	<ul style="list-style-type: none"> • \$1,000 fine. • File corrective action plan. • Establish a Gambling Oversight Committee, and 3 members must attend gambling manager seminar and pass the exam. • Must file required annual audits and be accepted by Revenue.

CITATIONS PAID

Citation amounts for similar violations may vary depending on unique circumstances and information and are issued on a case-by-case basis.

Minneapolis Riverview Lions Club License 01096	Failed to meet minimum lawful purpose expenditure percentage for two consecutive fiscal years.	\$1,000
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Divine Mercy Church & School Faribault , License 01632	Raffles conducted in a manner that did not comply with statutes and rules.	\$800
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Citations were issued to the following organizations for repeatedly filing late G1 tax returns with the Department of Revenue:

- **Voyager Trail Society**, License 04453, \$800
- **Police Benevolent Association of Rochester**, License 34478, \$650
- **Blaine Jaycees**, License 03016, \$550
- **VFW Post 2717 Ely**, License 00750, \$550
- **Fourtown Grygla Sportsman Club, Thief River Falls**, License 02435, \$550
- **American Legion Post 217, Baudette**, License 00088, \$450
- **American Legion Post 381 Eden Valley**, License 00133, \$300
- **American Legion Post 523 Golden Valley**, License 00991, \$300
- **Leech Lake Area Amateur Hockey Association, Walker**, License 30852, \$200
- **VFW Post 9433 Rosemount**, License 00187, \$200
- **Preston Fire Relief Association**, License 36712, \$200
- **Elks Lodge 1308 Thief River Falls**, License 00358, \$100

American Legion Post 210 Wells License 00360	Changes in application information not submitted to the Board within 10 days.	\$150
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VFW Post 363 Fridley , License 00552	Failed to comply with Board requests for documentation.	\$150
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Babe Ruth League Brooklyn Park License 03273	Failed to obtain prior Board approval for lawful purpose expenditure to another licensed organization.	\$150
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Princeton Youth Hockey Association , License 01414	Gambling manager failed to attend continuing education class during calendar year 2011.	\$100
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Citations were issued to the following organizations for checks not signed by two active members:

- **American Legion Post 216 Princeton**, License 00241, \$50
- **Ranier Recreation Club**, License 01431, \$50

Radio Advertisements

Our club advertises on the radio. Our current commercial promotes our bar and restaurant business, but also includes information about our bingo, meat raffle, and pull-tab operation. What's the correct way to determine how much of the ad cost may be paid from our gambling account?

The portion of the ad that's directly related to the conduct of gambling may be paid as an allowable expense. For non-print advertising such as radio or television, the amount is based on the percentage of time the ad focuses on your charitable gambling activity.

For example, if your 30-second commercial talks about gambling for 10 seconds and your bar/restaurant for 20 seconds, you could pay 1/3 of the cost of the ad with gambling funds. The same method would be used when splitting the ad cost with a bar or booth-op lessor.

Always issue separate checks from the gambling account directly to the radio or TV station for the gambling portion of the bill. Maintain a printed version of the ad copy as supporting documentation.

FAQ - ELECTRONIC DEVICES	
What is an electronic pull-tab device?	It is a small, portable hand-held electronic device used to play electronic pull-tab games. The device cannot accept any coin or currency but allows the player to play "credits" from previous winning tickets. The electronic pull-tab game follows the same play-style as paper pull-tabs including the activation (sale) from a central sales location. Electronic pull-tabs are not linked to other sites.
What is an electronic "linked" bingo device?	It is a small, portable hand-held device used to play linked electronic bingo games. The device cannot accept any coin or currency but allows the player to play "credits" from previous winning bingo play. The linked bingo device follows the same play-style as regular bingo and is activated for the player from a central sales location. The new electronic bingo devices will be used to play a linked electronic bingo game with other players at other sites in Minnesota.
Can these games be played on my own laptop or smart phone?	No. The security of the game system and device will be designed to prevent use of a personal laptop or smart phone.
What if someone steals the device?	These devices are classified as "gambling equipment". Unauthorized possession of the devices would be considered a misdemeanor. The security features in the devices will alert the central system if removed from the site and will become inoperable if removed from the site.
How much more work will there be with the electronic devices?	We anticipate that the work will be simplified and reduced. Internal controls and tracking of game receipts, tickets, and reports will be automated too. Gambling receipts from electronic games are recorded on a daily basis [electronically]. The receipts for electronic games must be promptly deposited into the gambling bank account within two business days.
How many electronic devices can there be in a bar?	<p>It depends on the size of the premises. The number of electronic pull-tab devices is limited to:</p> <ul style="list-style-type: none"> • no more than 6 devices in play for permitted premises with 200 seats or less; • no more than 12 devices in play for permitted premises with 201 seats or more; and • no more than 50 devices in play for permitted premises where bingo is the primary business. <p>Seating capacity is determined as specified under the local fire code.</p> <p>Electronic bingo devices used for linked electronic bingo games are also limited to the same number as electronic pull-tab devices.</p>
If we want to conduct both electronic pull-tab and linked electronic bingo games, will we have to use separate devices for each game?	Legislation allows the devices to be used for both pull-tab and linked bingo games. For instance, at a site with 200 seats or less [small bar], you could have 12 "combo" devices available at the site but at any given time only 6 could be in play for electronic pull-tab games and only 6 could be in play for linked electronic bingo games.
When can the electronic games be played?	It depends on the business hours for each establishment but law allows the games to be played between the hours of 8:00 a.m. and 2:00 a.m.
FAQ - LINKED BINGO	
What is linked bingo?	It is a bingo game that is played simultaneously with other sites and players in Minnesota. The number of players and the number of bingo faces played for each game will determine the prize amount to be awarded. Players will be given a time period to determine how many bingo faces to play and once the sale period has ended, the prize amount will be announced prior to drawing any bingo numbers. Major prize winners will be given a voucher for their prize winnings and receive a check within 3 business days. Consolation prize winners may be paid on the spot.
If we conduct electronic linked bingo can we still do regular bar bingo?	Yes. The games are separate in terms of ball calling and records but both types of games can be played at charitable gambling sites. Keep in mind that rent may be paid for linked electronic bingo games conducted in a bar but rent may not be paid for regular bar bingo.

FAQ - PREMISES PERMIT and LEASES

Does our organization need a special premises permit to conduct electronic games?	<p>No. If you have a premises permit for a site, you will be able to conduct electronic games there...if the site meets the following requirements:</p> <ul style="list-style-type: none"> the premises is licensed for on-sale or off-sale of intoxicating liquor or 3.2 percent malt beverages [but not allowed at general food store or drug store permitted to sell alcoholic beverages under Minn. Stat. 340A.405, Subd. 1], or the premises is where bingo is conducted as the primary business and has a seating capacity of at least 100 [bingo hall]. <p>To obtain a permit for a new site, use the LG214 Premises Permit Application.</p>
Are all charitable gaming sites required to offer electronic devices?	No. The use of the electronic devices and games is optional. However, if electronic pull-tab devices are used, the organization must also offer paper pull-tabs for sale at the premises.
Will we need a new agreement to conduct electronic games?	Yes. Use the LG215 Lease for Lawful Gambling Activity that was revised May 2012 and available at www.gcb.state.mn.us under Forms for Licensed Organizations. If you won't be conducting electronic games, your existing lease is still valid.
Do we need special local (city) approval for these games?	No. The method for premises permits and license application remains the same. Local approval is required before the Gambling Control Board will issue any new premises permit.

FAQ - MISCELLANEOUS

Sports-themed tipboards	Are sports boards now legal? Not yet. A federal law exists that governs gambling on sporting events. The Board is pursuing legal clarification regarding how the state law is impacted by the federal law.
Taxes	What are the new tax rates? The Department of Revenue will be sending out notices of the tax changes. You can also go to www.gcb.state.mn.us and view the 2012 Legislative Summary, page 15, for more information on taxes.
Where does the money go from these new electronic games?	The distribution of the net proceeds (after prizes paid) will be distributed by the licensed charity to the following categories: taxes (paid to the state); expenses related to salaries, rent to bar owners and game cost; and lawful (charitable) expenditures. (A portion of the taxes paid to the state will be used to pay the bond costs associated with the construction of the Viking Stadium.) Additionally, cities with local ordinances requiring a percentage of proceeds will also see an increase in funding.
When will the Board start a rules process?	To allow an expedited implementation of the electronic games and minimize rulemaking, the legislation included detailed specifications normally clarified in rule.
I'm interested in selling electronic pull-tab and electronic linked bingo devices. What do I need to do?	<p>It depends.</p> <ul style="list-style-type: none"> A manufacturer of electronic devices and games must obtain a manufacturer's license from the Gambling Control Board [Board]. <p>The manufacturer may only sell or lease gambling equipment to a licensed distributor. For linked bingo game providers, however, the manufacturer may provide the linked bingo game provider with electronic bingo devices for linked electronic bingo games.</p> <ul style="list-style-type: none"> A distributor is an entity that obtains the devices and games from a licensed manufacturer, and then in turn sells or leases gambling equipment to organizations licensed by the Board. The distributor must obtain a distributor's license from the Board. A linked bingo game provider [LBGP] may provide electronic bingo devices for linked electronic bingo games to licensed organizations, but must contract with licensed distributors for linked bingo game services that include solicitation of agreements with licensed organizations and installation, repair, or maintenance of the game system. They are also required to obtain a linked bingo game provider license from the Board. <p>License application forms are available online at www.gcb.state.mn.us for manufacturers, distributors, and linked bingo game providers.</p>

GAMING NEWS: APRIL/MAY/JUNE 2012

Gambling Control Board
Suite 300 South
1711 West County Road B
Roseville, Minnesota 55113

PRSRT STD
U.S. POSTAGE PAID
PERMIT 171
ST PAUL MN

TRENDS IN LAWFUL GAMBLING GROSS RECEIPTS

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	Calendar year 2012	%Change from 11	Calendar year 2011	%Change from 10	Calendar year 2010
January	85,725,000	7.5%	79,741,000	1.04%	78,919,000
February	90,394,000	12.5%	80,385,000	1.60%	79,120,000
March	97,615,000	4.0%	93,844,000	3.38%	90,774,000
April			90,491,000	6.60%	84,887,000
May			85,188,000	3.56%	82,260,000
June			79,815,000	2.17%	78,121,000
July			83,646,000	3.26%	81,008,000
August			84,507,000	6.43%	79,398,000
September			84,458,000	4.93%	80,490,000
October			87,850,000	4.98%	83,686,000
November			84,228,000	8.25%	77,810,000
December			88,730,00	15.00%	77,158,000
	273,734,000	7.8%	1,022,883,000	5.06%	973,631,000

AGENCY INDEX

Gambling Control Board

www.gcb.state.mn.us

Roseville 651-639-4000

St. Peter 507-931-5112

Hibbing 218-262-7301

Fergus Falls 218-739-7402

Department of Revenue

www.taxes.state.mn.us

Lawful Gambling Tax Unit . 651-297-1772

Email: lawfulgambling.taxes@state.mn.us

Department of Public Safety

www.dps.state.mn.us

Alcohol & Gambling Enforcement . . 651-201-7500

Minnesota's Bookstore 1-800-657-3757

www.minnesotasbookstore.com

Internal Revenue Service

Forms 1-800-829-1040

Questions 651-312-7716

Minn. Problem Gambling Helpline . . 1-800-333-HOPE

www.nojudgment.com